

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1866 – SB 1548**

March 23, 2011

**SUMMARY OF BILL:** Authorizes franchise and excise tax credits equal to \$4,500 for each new full-time employee job, or capital investment created during the tax year, by any business employing five or fewer employees. Requires the taxpayer to make a capital investment of \$100,000 in real property, tangible personal property or computer software owned or leased in this state, and create at least five new full-time employee jobs within the tax year, to qualify for the tax credit. Any new employee hired in the tax year shall not be a spouse, parent, sibling, son or daughter to the taxpayer. Requires the taxpayer to claim the credit by filing application in the manner prescribed by the Commissioner of Revenue and attaching the tentative tax credit certification granted by the Department of Revenue (DOR). Limits the total lifetime franchise and excise tax credits claimed by any taxpayer to \$75,000.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$11,047,500**

Assumptions:

- DOR indicates that approximately 4,913 Tennessee businesses will meet the employment requirement that each business currently employs five or fewer individuals. This estimate assumes that each business has a net worth equal to \$1,000,000 or more, thus having an ability to increase employment.
- Of the 4,913 businesses, 10 percent (or 491) will be able meet the specified investment criteria and hire five additional full-time employees within the tax year.
- The recurring decrease in state revenue will be \$11,047,500 (491 businesses x 5 new employees x \$4,500 tax credit).

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**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact style than the last name "White".

James W. White, Executive Director

/rnc